Impact of Unearned Income
DI Underwriting

Earned Income

For MassMutual underwriting purposes, total earned income is defined as income after business expenses and as reported for federal tax purposes. Included are wages, salary, commissions, regular bonuses, and the applicant's share of profits or losses in any entity in which the applicant has an ownership share, including any corporation. For business owners, MassMutual will also include employer contributions made to a retirement plan on the owner's behalf that were deducted as a business expense.

Unearned Income

Unearned income is a type of passive income that will continue to be received if an individual becomes disabled. Given Disability Insurance is a needs-based product, any available coverage may be reduced based on an applicant's unearned income. Examples of unearned income include interest, dividends, capital gains, rental income, and passive Partnership and S-Corporation interests. Additional types of unearned income are outlined below.

Unearned Income Offset

- We will ignore unearned income if it is equal to or less than 20% of total earned income.

- If unearned income is **more than 20%** of earned income, it will be halved and then divided by 12 to determine the reduction in total monthly coverage (Subtract from Issue and Participation Limit).

- Military pensions and other pensions currently being received will require a dollar for dollar offset. If non-taxable coverage is being applied for, the taxable monthly pension distributions can be converted to a non-taxable benefit by multiplying by .70 (Subtract from Issue and Participation Limit).

- Alimony Offset — Short-term alimony agreements (1-3 years) will be ignored. Long-term agreements require a dollar for dollar offset. If non-taxable coverage is being applied for, the taxable monthly alimony payments can be converted to a non-taxable benefit by multiplying by .70 (Subtract from Issue and Participation Limit).

- Child support payments are not treated as earned income or unearned income. There will be no offset to the Issue and Participation limits.